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Soviet demand for world oil minimized

Last year's gloomy talk 'exaggeration' of CIA view

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The world oil outlook for consumers brightened this week.

A new Senate study finds that Soviet competition for oil imports should be substantially less than predicted a year ago – and this could delay the time when world demand begins to outstrip supply.

The Central Intelligence Agency (CIA) stunned the world community a year ago when it predicted that the "Soviet Union and Eastern Europe will require a minimum of 3.5 million barrels a day of imported oil by 1985."

President Carter cited that gloomy forecast when he announced his "moral equivalent of war" on the energy crisis and predicted "national catastrophe" without quick action on his program.

The Senate Select Committee on Intelligence, dubious of the CIA's Soviet forecast, probed behind the scenes to determine its soundness. The committee found that the initial conclusions implied by the agency, and subsequently picked up by the press and the White House, were overdrawn.

'Worst case' scenario

The CIA's figures of possible heavy Soviet oil imports in the 1980s are a "worst case" scenario which few, if any, analysts expect to occur, the Senate committee concluded.

In fact, the Soviets are expected to make every effort to continue acting as oil exporters, a role which enables the U.S.S.R. to earn much-needed hard currency from Western European nations.

The CIA's prediction of 3.5 million barrels a day – possibly even 4.5 million barrels a day – of imports to the Soviet Union and Eastern Europe in the 1980s would come about only if the U.S.S.R. failed to take remedial action, the committee concluded.

Through conservation, use of alternative fuels, and other steps, the Soviet Union might well avoid any imports at all through 1985, notes the 30-page committee study.

Report language questioned

The Senate committee, which oversees intelligence agencies, confronted CIA sources on the Soviet forecast. Some of these sources indicated the agency had made a "terrible glitch" by failing to clarify its prediction as a "worst case" that was unlikely to come about.

What this means is that the United States and other major oil importers may have gained a little more breathing room before the next major energy crunch.

The CIA, in its report of April, 1977, indicated supply from Middle East countries could begin to fall short of demand from free world and Communist countries as early as 1982-1983. That was expected to trigger a burst of higher prices, and usher in a period when the Soviets became major competitors for oil from Iran and other Middle East countries.

That seems less likely today. The Soviets will take every possible step to conserve oil, and to continue as net exporters into the 1980s, the Senate study indicates. This could lessen pressure on supplies, and maintain stable, or even falling, prices during the next several years.

While mildly critical of the CIA, the Senate committee praised the agency's overall ability to assess world oil prospects. The CIA probably is foremost in that capacity in the United States.